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The Balanced Scorecard:

Performance Measurement System at Tangshan Little Star Education

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Abstract

Education industry in China is leading to its “Golden Era”, among which are dominated by small-medium-sized enterprises. As managerial accounting is still a relatively new discipline, hence, the majority of small-medium-sized enterprises lack of an effective management system. This Work Project aims to design a Balanced Scorecard for Tangshan Little Star Education, a typical small-sized Chinese company in education industry. In this Work Project, providing an outlook of Chinese education industry is another objective. The main contribution of this project is to identify existing problems at Tangshan Little Star Education and help the owner/manager to build a systemised performance measurement system.

Keywords: Balanced Scorecard, Education Industry, Small-Medium-Sized Enterprises

Table of Contents:

1. Introduction
2. Literature Review on Balanced Scorecard
3. Methodology
4. The Filed Study
5. Main Findings
6. BSC for Tangshan Little Star Education
7. Conclusion and Limitation of this Work Project
8. Bibliography

1. Introduction

The Balanced Scorecard (BSC) is an integrated strategic performance management framework that helps organisations translate strategic objectives into relevant performance measures (Bremser and White, 2000).

Managerial accounting is a relatively new discipline in China, especially for BSC, a more recently developed technic as a strategic-oriented practice in managerial accounting is not well understood by the majority of managers in China (Wu, Boateng & Drury, 2007). Research on managerial accounting practices in China rarely includes new techniques like BSC (Chow, Duh & Xiao, 2006). Moreover, publications on BSC in China are limited and are mainly focused on the introduction of BSC; research on the effectiveness of BSC in emerging economies is even rarer. Moreover, firms that implemented BSC in China encountered obstacles due to cultural barriers and matching barriers (Zeng & Luo, 2013). Designing a BSC that complies the objective of Chinese companies whilst cohering Chinese culture is the main purpose of the WP.

1.1 Objectives of This Work Project (WP)

Objective of this WP is to design and propose a Balanced Scorecard in education companies in People's Republic of China (PRC) that suits Chinese business culture to measure and administer their performance. Another objective of this WP is to provide an outlook on education industry and the understanding of BSC in China.

Empirical data was collected through interviews and field studies at Tangshan Little Star Education, a Tangshan based small-sized enterprise and one of the most renowned extracurricular education providers in the city on a prefecture level¹.

1.1.1 Purpose of Choosing Education Industry in China

This WP is seen as relevant as education market in China has demonstrated great vitality and unbounded potential. Education market in China reached RMB2.68 trillion (EUR350 billion) in 2018 and it is projected to reach RMB3.36 trillion (EUR433 billion) in 2020². 8 education companies have gone public in Hong Kong and the U.S till 2018. Chinese Premier laid emphasis on industrial cluster of artificial intelligence R&D and advancing the Internet Plus model in several fields including education in National People's Congress in 2018. Leveraging new technologies and big data to seize the opportunity will require companies, regardless the size, to establish suitable strategies for a sustainable development. Therefore, a BSC can help

¹ A prefecture-level (diji) city is the second level of sub-national authority below provincial level (shengji) in People's Republic of China (PRC). Till 2006, there are 303 prefecture-level cities in PRC.

² Reference: *A New Era of Education, China Education Development Report 2018*, by Deloitte China.

education entities to define their strategy to suit current business environment and translate visions into actions. Intangible asset, especially reputation and brand names, is an important composition in education companies. The introduction of BSC enabled companies to track financial result while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth (Kaplan and Norton, 2007). Introducing and implementing BSC in education companies is therefore necessary.

1.1.2 Purpose of Choosing a Small and Medium Enterprise (SME)

Designing a BSC for a Small and medium enterprises (SMEs) in education industry is exceptionally interesting as SMEs are the driving forces for China's economic growth ever since the economic reforms in 1978. In 2015, SMEs contributed to 58% of China's GDP and made up approximately 97.7% of total registered companies in China³. The importance of SMEs in promoting fast healthy economic and social development is also significant (Chen, 2006). Moreover, 92% market share in K-12 after-school tutoring is comprised by small-sized enterprise, which are regional players with revenue below RMB500 million (EUR64 million)⁴. BSC has been proven as an effective management tool in large-scale companies and organisations. In SMEs managers are mostly unaware of the existence of BSC yet using performance measurement approaches similar to those within the scope of BSC (Holt et al., 2013). Therefore, developing a BSC that suit SMEs' reality and needs will be beneficial on a larger scale and help managers of SMEs to systematically measure and enhance performance. SMEs often start out as a "single-person operation", which follows a top-down hierarchy approach in managing the company. The BSC derived from such a structure in order to translate the company's strategy into operational objectives. Therefore, there is a potential for SMEs to employ the BSC as a management tool to manage performance and define the company's strategy.

1.2 Structure

This rest of this WP is divided into five sections:

- 1) Section 2 explains the concept of BSC and its use as a measurement and strategic management system within education and small and medium-sized entities;
- 2) Section 3 outlines the paradigm and methodology used in this WP;
- 3) Section 4 focuses on the filed study conducted at Tangshan Little Star Education (TSLSE);
- 4) Section 5 discusses main findings in education industry in China as well as at TSLSE;

³ Source: <https://ecovis-beijing.com/smes-china/>

⁴ Source: information in the public domain

- 5) Section 6 proposes the BSC designed specifically for TLSE;
- 6) The last section in this WP provides conclusion as well as limitations regarding this WP.

2. Literature Review on Balanced Scorecard

2.1 Objectives

This section dedicates to assessing literatures on BSC critically.

2.2 Introduction

This section consists of 3 subsections. The first subsection an explanatory introduction of the BSC as a performance measurement tool and as a strategic management system. The following subsection assesses the four perspectives of the BSC, whilst the last subsection analyses the use of BSC in small and medium-sized enterprises (SMEs). The last section provides a critique on BSC followed with a conclusion for this section.

2.3 The Balanced Scorecard

The Balanced Scorecard is a strategic management technique for communicating and evaluating the achievement of the mission and strategy of the organisation (Drury, 2016) and was first introduced by Kaplan and Norton in 1992. BSC incorporates four perspectives – financial, customer, internal business process and learning and growth, combining measures of past performance with measures of the divers of future performance (Kaplan and Norton, 1992). Traditionally companies used solely financial metrics to evaluate performance, which was adequate when physical assets generated income for companies. With the change in competitive environment, financial perspective had been proven insufficient to manage and measure performance, companies need to leverage intangible assets to create value for further growth.

2.3.1 The BSC as a Performance Measurement System

According to Kaplan and Norton (1992), the BSC retains financial measurement as a critical summary of managerial and business performance, but it highlights a more general and integrated set of measurements that link current customer, internal business process, employee, and system performance to long-term success.

Financial measurements are set based on historical data whilst customer, internal business process and learning and growth perspective provide complements with forecast of further performance. Therefore, these measures are *balanced* between the outcome measures – the results from past efforts – and the measures that drive future performance (Kaplan and Norton, 1992). Financial perspective is linked to non-financial perspectives through a cause-and-effect relationship, which enables companies to translate their capabilities into a greater financial performance in the long-run.

2.3.2 The BSC as a Strategic Management System

The BSC was designed as the cornerstone of a new strategic management system to bridge the development and formulation of strategy and its implementation (Norton and Kaplan, 1996). Norton and Kaplan discovered four barriers to strategic implementation: visions and strategies that are not actionable; strategies that are not linked to departmental, team, and individual goals; strategies that are not linked to long- and short-term resource allocation and feedback that is tactical not strategic. Each barrier can be overcome by integrating the BSC into a new strategic management system. After the first literature released by Norton and Kaplan in 1996, some business moved beyond their first vision to vanquish barriers mentioned above and discovered the value of the BSC as a new strategic management system (Holt et al, 2013; Bose and Thomas, 2007), by introducing four new management processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions (Kaplan and Norton, 2007). The four processes are described as: translating the vision, communicating and linking, business planning and feedback and learning (Kaplan and Norton, 2007), and this development transformed the BSC from being an extended diagnostic system to an interactive system (Kaplan and Norton, 2010).

2.4 The Four Perspectives of the BSC

The BSC consists of four perspectives: financial perspective, customer perspective, internal business perspective and learning and growth perspective. To fully illustrate the BSC, this subsection will provide an explanatory analysis of the four perspectives.

2.4.1 Financial Perspective

The financial objectives serve as the focus of the objectives and measures in all the other scorecard perspectives. Every measure selected should be part of a link of cause-and-effective relationships that culminate in improving financial performance (Kaplan and Norton, 1996). Financial perspective focuses on how the organisation looks to shareholders, as it specifies the financial performance objectives anticipated from pursuing the organisation's strategy and also the economic consequences of the outcomes expected from achieving the objectives specified from the other three perspectives (Drury, 2016). Therefore, some perceive the financial perspective as the last perspective of the BSC model (Holt et al., 2013).

2.4.2 Customer Perspective

In the customer perspective of the BSC, companies identify the customer and market segment in which they have chosen to compete. These segments represent the sources that will deliver the revenue component of the company's financial objectives (Kaplan and Norton, 1996). Therefore, the achievement of customer objectives should ensure that target revenues will be

generated (Drury, 2016). Identifying customer objectives made it possible to measure the performance (Kaplan and Norton, 2010).

2.4.3 Internal Business Process Perspective

The internal business process perspective requires that managers identify the critical internal processes at which they must excel if they are to meet the objectives of shareholders and of targeted customer segments (Drury, 2016). The process value chain consists of three processes: the innovation process, the operations process and the post-sales process (Kaplan and Norton, 1996; Drury, 2016).

2.4.4 Learning and Growth Perspective

The learning and growth perspective focuses on the capabilities that an organisation needs to create long-term growth and improvement, to ensure that an organisation will continue to have loyal and satisfied customers in the future and continue to make excellent use of its resources, the organisation and its employees must keep learning and developing (Drury, 2016). This is the ultimate perspective to meet ambitious targets for financial, customer, and internal business process objectives (Kaplan and Norton, 1996).

2.5 The Use of BSC in Small and Medium-Sized Enterprises (SMEs)

The definition of SMEs in China is more complex comparing to most OECD countries, which is categorised by the number of employees. The SME Promotion Law of China (2003) sets different criteria for companies depends primarily on the industry category alongside with number of employees, annual revenue and total assets.

Studies on the BSC are mainly focused on the use of performance measures in large enterprises and government departments, relatively little research has been conducted on performance measurement in SMEs (Philips and Shanka, 2002). A considerable amount of criticisms on the BSC approach lie in its complexity and the difficulty in operationalising this performance measurement framework in a way that improves managerial decision-making in a practical manner (Ahn, 2001; Philips and Shanka, 2002).

In a research conducted on the use of the BSC in SMEs in 2013 (Holt et al.), among SMEs in the UK and Cyprus, the majority of small companies, especially in the UK, are unaware of the BSC, and consequently levels of BSC usage are extremely low. However, they tend to use performance measures and indicators similar to those typically included within a BSC model. In an exploratory study on BSC measures in SMEs in 2002 (Philips and Shanka), measures of the financial perspective were used in most companies followed by customer perspective. Internal Business process perspective is the least adopted in their performance measurement system.

Concerns arise that SMEs may not have the resources to implement BSC within the organisation due to its complexity. However, Kaplan and Norton presented the four perspectives as a suggested framework rather than a constraining straitjacket, as long as companies bear in mind to avoid the temptation of creating too many perspectives and performance measures since one of the major benefits of the balanced scorecard is its conciseness and clarity of presentation (Drury, 2016).

2.6 Critical Analysis of BSC

The BSC approach provides a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures (Kaplan and Norton, 1992). The BSC also promotes communication within the organisation and employees' motivation. Moreover, the BSC is one of the 25 most popular management tools and is projected to keep increasing its popularity (Rigby and Bilodeau, 2011; Holt et al., 2013).

The creation of a strategy map was out of the idea of causal linkages among Balanced Scorecard objectives and measures, and the strategy map along with the BSC could offer managers the framework for a generic interactive system (Kaplan and Norton, 2010).

The absence of time dimension is the most questioned critique of the BSC's effectiveness. An essential component of the balanced scorecard in managing strategic improvement is the identification that an acceptable amount of time needs to elapse between the implementation of a strategic initiative and the designation of the effectiveness of the strategy in increasing financial lag measurement (Atkinson, 2006; Drury, 2016). According to Nørreklit, the absence of an explicit time dimension as part of the scorecard makes it impossible to establish cause-and-effect relationships (Nørreklit, 2000; Drury, 2016).

One other criticism arose from the structure of BSC, which is a top-down hierarchy approach. As Kaplan and Norton (2010) did place shareholder's value as the highest-level metric, with all the other stakeholders reflected in how they contributed to the company's success in maximising far-reach shareholder value.

The omission of social and environmental responsibilities as a perspective from the proposed four perspectives of the BSC is also controversial. However, organisations can add this perspective to their BSC framework for the sustainability of our society. Such perspective deserves more attention from future studies on BSC in order to raise awareness, especially for large entities, of the cruciality of their impact on our society and environment from their actions.

2.7 Conclusion

This section provides an in-depth analysis of the BSC. Even though the BSC was first design to meet the need of large enterprises and government organisations to measure their performance, the nature of the BSC can provides SMEs a feasible and beneficial framework for SMEs as well once designed properly.

3. Methodology

This WP consists of a direct research to propose a BSC for Tangshan Little Star Education (TSLSE). Therefore, an experimental case study, which consisted on indicating what should be done in practice, was undertaken with the researcher acting simultaneously as a visitor and “a kind” of facilitator (Ryan et al., 2002; Marques, 2015).

Primary data and information were collected through interviews with the owner/ manager of TSLSE Ms. Zhao. Short interviews were also conducted with headmaster of the main branch at Tangshan city, branch director and two instructors. Interviews techniques followed the approach suggested by *The McKinsey Way* (1999). Supporting evidence and information were collected from consulting firms report on Chinese education industry, namely Deloitte China’s report of 2018 and PWC China’s report of 2019, National Bureau of Statistics and Bureau of Statistics of Tangshan.

The research paradigm, according to Morgan (1979), can be divided into three levels: the philosophical level, where the term is used to reflect fundamental ideas about the world; the social level, where the term is used to offer guidance about how the person who carries out the research should conduct his attempt; and the technological level, where the term is used to define the techniques and methods that have to be used when carrying out a research (Morgan, 1979; Holt et al., 2013).

Validity, the extent to which the research findings accurately reflect the phenomena under the study (Collis and Hussey, 2009), and reliability, the extent to which your data collection techniques or analysis procedures yield consisted findings (Saunders, Lewis and Thornhill, 2009), of the primary evidence collected of this WP can be checked. *Guanxi* (long-term relationships) plays an important role in Chinese business culture, and with the close relationship with Ms. Zhao, promised a reliable outcome of the evidence collected through interviews.

4. The Filed Study

4.1 Introduction

This section focuses on the field study conducted at Tangshan Little Star Education, City Main Branch, which also locates its head office.

4.2 Tangshan Little Star Education (TSLSE)

TSLSE is a Tangshan based small-sized enterprise in Hebei Province, China. TLSE was founded in 2001 by Ms. Yunzhu Zhao, a renowned entrepreneur and educator in Hebei Province. It currently operates 5 teaching facilities: Tangshan City Main Branch, Tangshan School at Tianyuan, Qianxi Main Branch in Qianxi County, Qianxi Second Branch and Fengnan Branch. There is a new branch school opening in 2020, which focuses on high-end English language course business, with a different branding. Teaching structures and textbooks are fully developed by TSLSE.

TSLSE has 34 full-time employees and more than 3,500 enrolled students in Tangshan. The company provides English language courses, K-12 education and private after-school tutoring services.

Ms. Zhao, the owner of TSLSE is from an education background and gained her management experience and knowledge from operating of the company. She was not acknowledged of the BSC approach until this WP was proposed to her. However, the way she manages the company tends to employ a BSC method, whilst not systemised and constructed. She showed great interest in implementing BSC in her company to translate her vision of the future for TSLES into actions and a well-defined strategy for future development.

The “vision” of Ms. Zhao of TSLSE is to *become the most respected education company in Tangshan*.

5. Main Findings

5.1 Introduction

This section will be divided in two subsections. The first subsection mainly focuses on main findings of TSLSE whilst the second half of this section will dedicate to Chinese education industry. Findings on TSLSE are based on field study at Tangshan City Main Branch along with interviews conducted. Explanatory findings on Chinese education industry are based on secondary data.

5.2 Tangshan Little Star Education (TSLSE)

Tangshan Little Star Education was founded in 2001 as an English language school. Business was expanded later in 2008 to a more complete education company, adding K-12 education and after-school tutoring to its service mix. However, English language courses still accounts to 80% of its revenue. Currently there are 5 branch schools in operation with a new one opening in Tangshan city in 2020.

TSLSE employs customer-oriented developing strategy and its ultimate goal is to become the most respected education company, the most respected educators in Tangshan.

Weekends and school holidays are when all the branch schools are fully occupied, whilst during the week classroom occupancy is less than 20%.

Currently there are 34 full-time employees at TSLSE that work 6 days a week from Tuesday to Sunday. They were all born in the 1980s or 1990s, which are the generations born after the one-child policy. According to Zeng and Luo (2013), only-child employees are influenced by the one-child family environment, China's economic boom, China's oriental culture, and Western ideas. Therefore, they have enjoyed better education, and they are erudite, and have greater competence in terms of modern scientific technologies. Those employees tend to be open to changes in the company and less obstacles will be faced to implement the BSC. However, being the only-child also means they can be more self-concentrated, less independent and more self-willed, and as a consequence, many of them have weak communication skills and are lacking in team spirit (Ruan & Liu, 2007; Zeng and Luo, 2013).

5.2.1 Organisational Structure of TSLSE

TSLSE follows a top-down hierarchy in terms of organisational structure. Owner-manager are in charge of all the five existing branches and make the decisions of TSLSE's future development. There is a headmaster of each branch school that manages each school's operation, marketing and daily activities; director of Teaching Department manages teaching related affairs and teachers of each branch school and provide feedback on teachers' performance on a monthly basis; and there is also an administration officer who also performs human resource duties.

5.2.2 Current Performance Measurement System of TSLSE

TSLSE does not employ any management instrument at this moment. Moreover, only four formalised key performance indicators (KPIs) are utilised in measuring employees' performance. Current performance measurement system focuses mainly on teaching staff's performance instead of all the employees of the company.

KPIs for teachers used at TSLSE tend to follow approaches similar to financial, customer and learning and growth perspectives of the BSC:

- 1) Number of new students enrolled each term: this indicator is similar to financial perspective of the BSC. Number of new enrolled students at TSLSE is set to every employee to achieve revenue growth of the company. Numbers set for employees are based on historical records of each branch schools.
- 2) Students renewal rate: this indicator is similar to customer perspective of the BSC. After each student finishes a term of study at TSLSE, the rate of which number of students advance to next term of studying will determine each teaching staff's bonus.

3) Customer satisfaction survey: this indicator is similar to customer perspective of the BSC. At the end of each term of the course, survey will be delivered to the parents/ customers. Customer satisfaction rate determines directly on the bonus of related teachers. It also affects the promotion of the teaching staff.

4) Teachers/ employees capability test: this indicator is similar to learning and growth perspective of the BSC. Tests on teaching staff's professional knowledge of the course he/ she is teaching is conducted on a quarterly basis.

Apart from KPIs mentioned above, there are also attempts made in order to improve employee's motivation and satisfaction and exploit new market segments in education industry:

1) Job rotation and employee empowerment to develop new skills and provide opportunities to high potential employees to experience all aspects of the business: this mechanism applies to teaching staff due to nature of the business – the majority of classes delivered at TSLSE are on Saturdays and Sundays. They will have opportunities to rotate from marketing duties to administrative duties, even in public relations. Teachers expressed their satisfaction with rotations and consider it a good motivation and learning opportunities as well.

2) Trainings and team building opportunities on a yearly basis: TSLSE invests heavily in employees' trainings. Teachers from different branch schools hold micro classes on a monthly basis to exchange teaching experiences and questions in order to improve teaching quality and teachers' capabilities.

3) Development of new market segment: TSLSE is aiming to enter high-end early childhood English language courses with new branding, Piggy Rolla. More than RMB4 million of investment has been put into the course development and innovation in teaching method. This can fit in internal business perspective of the BSC to achieve the maximum outcome of this development.

5.2.3 Main Problems Discovered at TSLSE

"If you cannot measure it, you cannot improve it", said Kaplan when he decided to develop the BSC with Norton. It is also the major problem discovered at TSLSE: there are objectives in achieving short-term or long-term goals, but there are no measurements to many of the objectives. It is crucial for TSLSE to set measurements of employees' training outcomes and investment made in exploiting new markets. Otherwise it will be difficult to measure if investments made are effective and beneficial for the company.

There are also some concerns discovered during the interviews and field study:

1) Lack of a marketing department: current marketing department are directed by the owner/ manager Ms. Zhao, and with the current rotation mechanism, other employees act as marketing

specialists on a set of time, normally for 3 months. Lack of marketing department leads to lacking in a clear marketing planning and a defined marketing strategy.

All companies need strategies to meet changing market. Small companies may that only larger corporations need a defined marketing strategy. Formal marketing planning yields benefits for all types of companies regardless the size, as it encourages systematic thinking, forces companies to sharpen its objectives and policies, leads to better coordination of company efforts, and provides clearer performance standards for control (Kotler et al., 1996).

It is crucial to define TSLSE's marketing strategy at this moment for a smooth and impactful launch of Piggy Rolla in the market to attract parents. With well-planned marketing strategy, it will also benefit to implement performance measurement system at TSLSE.

2) Absence of enough financial objectives among employees: the sole financial objective existing at TSLSE is the number of new students enrolled with a set quota for each employee. Financial objectives can differ considerably at each stage of a business' life cycle (Kaplan and Norton, 1996), there is still significant potential for the growth of TSLSE. The overall financial objective for growth-stage business will be percentage growth rates in revenues, and sales growth rates in targeted markets, customer groups (Kaplan and Norton, 1996). It will be more effective and motivational to utilise a percentage of new students enrolled in comparison with previous period instead of a set number. Enhancing operation management and information infrastructures should also be considered by TSLSE.

Utilisation of assets should be part of its financial objective. Current resources are not fully exploited with only 20% of teaching facilities and human resources used during the week.

3) Employees retention: this problem is common in all education companies. Traditional and homogenised incentive measures such as bonus, makes it difficult for enterprises to retain talents (Deloitte China, 2018). To tackle this problem for TSLSE, a clear career path that stands out from other education companies need to be defined.

4) Low awareness of new technological trend: not enough attention has been paid to online business and online presence is insufficient. Information infrastructure can be improved. To capture and leverage new technology is vital to achieve further growth in nowadays business environment. It requires a considerably big amount of investment to develop an IT team. Alternative approaches can be sought, and TSLSE may well need to find a reliable outsource IT agency and increase its online presence.

5.2.4 Main Competitors

There are two other main players in English language course and K-12 education in Tangshan: New Oriental Education Group and Jintong Education.

New Oriental Education Group, with its reputation national wide, and massive expansion from English-language tests for college-ready Chinese students to K-12 tutoring, may leave pressure on TSLSE. However, with more than 10 years development for English education in early childhood, New Oriental may not impact much on this segment. Therefore, New Oriental is a direct competitor yet, with less impact in English language courses. K-12 education segment is facing more challenge.

Jindong shares a similar developing story with TSLSE – they are both Tangshan based education companies and started their business with early childhood English education. Competitive pressure is more intense with Jintong. However, their branches are located in different districts of the city, and Chinese parents tend to have a location preference when choosing after-school education. Therefore, as long as TSLSE can sustain its teaching quality and good reputation, early childhood education segments can keep its growing path.

5.3 Education Industry in China

Education industry in China is ushering into its “golden age” in terms of both industry size and market activity, according to Deloitte China’s report in 2016.

Policies have always been in favourable positions for education organisations, due to education’s fundamental and tremendous role in China. Since 2016, the second draft of Law of “Non-governmental Education Promotion” and the “13th Five-year Plan for the development of National Education” have been promulgated⁵, in 2018, China’s Ministry of Justice published the Draft Amendment to the Regulations for the Implementation of the Law on the Promotion of Non-Public Schools of the People’s Republic of China to solicit public opinions before the enactment of the amended Non-public Education Promotion Law⁶. The efforts in promulgating policies regulating various prospects of education aim to drive the informatisation and standardisation in education industry, as well as achieving the implementation of Modernisation of China’s Education by 2030.

Demand for education in China has been increasing steadily with the pursuit of high-quality educational resources. There are three main factors contributing to the increase in demand⁷:

1) With the strong economic growth in China, people’s living standard and income have been increasing throughout the year. With more disposal income, people’s willingness to pay, which stimulates the pursuit of high-quality educational resources. Education expenditure per capita increased from 1.9% between 2006 and 2010 to 13.5% between 2010 to 2016. Education

⁵ Reference: *Review and Outlook of M&A Activities in China’s Education Industry: 2016 to H1/19*; PWC China.

⁶ Reference: *A New Era of Education, China Education Development Report 2018*, by Deloitte China.

⁷ Reference: PWC China Report and Deloitte China Report.

expenditure for Chinese urban residents accounts for 5% of total per capita annual expenditures, which is twice of America's average household expenditure on education, which is approximately 2.1%. K12 education shows greater potential – 21% of annual household income, according to China Household Education Consumption White Paper 2017⁸. With continuous increase in future disposal income per capita, willingness on education expenditure shows a promising potential in future growth;

2) In 2015, with Universal Two-child policy replacing One-child policy the number of newborns in China has boosted profoundly: there were 17.8 million newborns in 2016. By 2020, the estimation of the children to apply for preschool education will exceed 120 million.

3) Post-80s and post-90s generations become new parents, these parents have higher demand for a diversified and higher education for their children and will consequently invest more money and efforts: as they have experienced higher college enrolment rates and enjoyed the benefits of higher education, they attach great importance to education; they also value comprehensive abilities as well as an international vision, leading to a strong demand for science and innovation, art and other quality-oriented education as well as private and international schools.

With changes in policy and increase in demand, new development opportunities as well as challenges are posing against managers in education industry:

1) Demand for international education rises with China's fast-burgeoning wealthy. Demand for language training, short-term study abroad programmes, overseas summer camps and overseas education services are sustained by the rise of private international schools, bilingual schools and international education, encouraged by the amendment to the Non-public Education Promotion Law.

2) Continuous progress in information technology has been penetrating online learning into each segment of the education industry. The growth rate of online learning is 16% and the total market size is RMB272.7 billion (EUR38.8 billion). Taking the reality of Chinese online learning market, huge potential is identified due to the large user base and underdeveloped technologies. New technologies, namely big data, artificial intelligence and stereoscopic technologies are empowering education as well. Moreover, in the government work report delivered to National People's Congress in 2018, Chinese Premier Li Keqiang emphasised importance of advancing Internet Plus model in education sector and implementing big data development action plan and artificial intelligence application.

⁸ Source: Ministry of Education of China

3) Attracting and retaining talents have been even more challenging than ever before. With the transformation of the industry and continually rising cost of labour are raising the requirements of talent management in education companies.

There are four major types of talents in current private education industry: technical talents, which are the main driver of education informatisation enterprises and offline education enterprises' transformation toward online operation; teaching and research team, which are the core competence of education entities and affect directly the teaching quality and act as a powerful support in the expansion and branding of the company; operation and management talents, which are crucial in capturing long-term development opportunities and realising companies' development goals; and sales personnel, which contribute effectively to the growth and expansion of the business.

Main challenges in talent management lies in: the short in talent supply, as education industry is labour intensive and current supply fails to meet the fast-growing demand; high staff turnover, since the competition in education industry intensified throughout the years with new entrants; higher talent requirements, as business innovation and internet thinking competences are equally important as proficiency in education; homogenised incentive mechanism, mainly employs traditional performance measures, such as bonus. It makes it even more difficult for enterprises to retain talents, especially senior manager and scarce interdisciplinary talents.

4) A more efficient and systemised operational management is critical in this new era. According to the Deloitte report (2018), with the capital inflows and the spurt of education market, companies may be myopic in their development strategy in pursuit of profitability, compromising the essence of education and neglect their intention when they first entered education industry. Companies unable to adapt to the digital transformation may stand still when overwhelmed with the rise of new technologies. They will need a delicate management to ensure far-reaching benefits of business and create more value.

6. BSC for Tangshan Little Star Education

6.1 Introduction

This section dedicates to proposing a BSC scorecard for TSLSE. The first subsection is a strategy map developed for TSLSE, and the second half of this section is the proposed balanced scorecard.

6.2 Strategy Map

Strategies can be viewed as a set of hypotheses about cause-and-effect (Kaplan and Norton, 1996), thus enabling a scorecard to tell the story of a business unit's strategy through a sequence of cause-and-effect relationships (Drury, 2016). A strategy map can illustrate how the objectives are linked to achieve the goal of TSLSE – to become the most respected education company and educators in Tangshan.

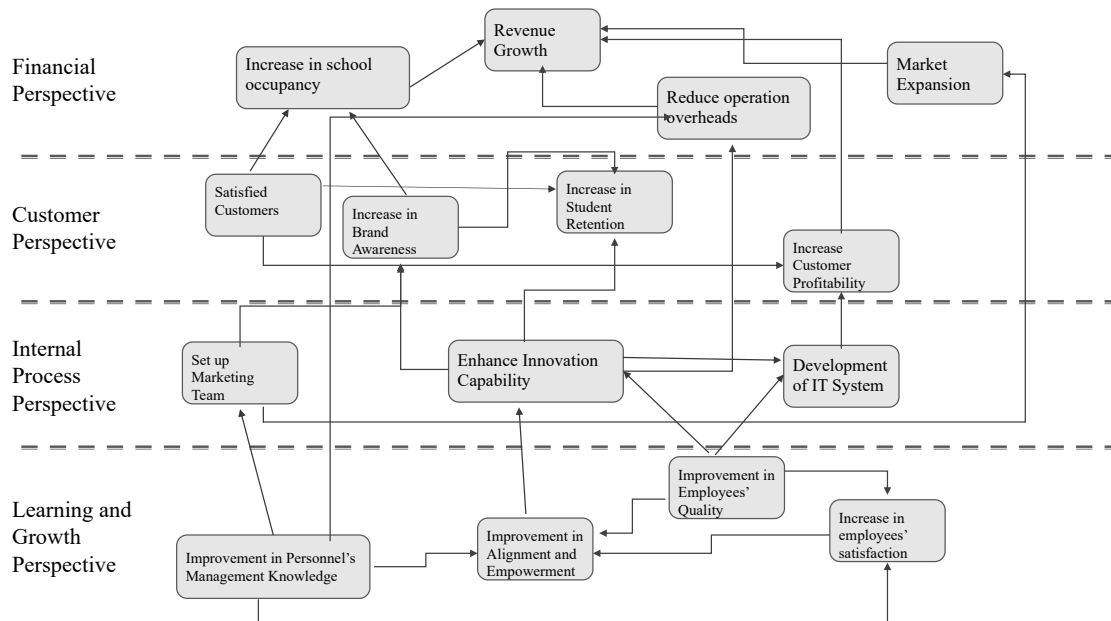


Figure1: Strategy Map for TSLSE

6.3 The Balanced Scorecard for Tangshan Little Star Education

Taking the size of TSLSE into accounts, the BSC designed is concise. It integrates existing performance measurements with objectives and measurements that are absent. Added objectives and measurements are outcomes from the field study and discussion with the owner/manager of TSLSE.

As TSLSE is in its growth stage of its life cycle, objectives set in BSC follows a growth strategy. A notable mention is that TSLSE donates in charity each year to help children from the countryside that do not have access to education.

Financial Perspective					
To succeed financially, how should Tangshan Little Star English appear to its shareholders?	Objectives	Measures (KPIs)	Descriptions	Target	Initiatives
	Revenue Growth	Percentage of revenue from new enrolled students	This objective aims to integrate current TSLSE's financial objective measurement into the BSC. This ratio is commonly used among education companies in China. This indicator shows significant relevance for TSLSE. It will be the first step in implementing a systemised performance measurement system.	20% to 30%, varies from branch to branch	A defined number of new students enrolled is set for employees.
	Reduce operation overheads	Operating Margin	Operating margin subtracts all overheads and operational expenses; therefore, it will be more accurate for TSLSE to calculate.	40% operating margin	Monetary incentive reaching targets
	Fill the schools during the week	Classroom occupancy rate	Classrooms utilised as to total classrooms available. This objective aims to improve asset utilisation, and it is also a short-term goal expressed by Ms. Zhao. Currently classroom occupancy rate during the week is really low, which means waste expenses.	20% of classrooms filled during weekday	
Market Expansion		Return on new invested capital (RONIC)	Cashflow generated by new investment made within the time frame of one year. As TSLSE is entering high-end English language course under the brand Piggy Rolla, this measurement is substantial. It can also serve as an indicator to ensure investment on Piggy Rolla is on the correct path.	2.5% RONIC	

Customer Perspective					
	Objective	Measures (KPIs)	Descriptions	Target	Initiatives
How do customers see TSLSE?	Satisfied Customers	Customer Satisfaction Survey	TSLSE follows customer-oriented development strategy. This measurement is already in use at TSLSE; however, it only applies to teaching staff. Extending this objective to all employees to improve overall service quality. Surveys distributed to parents on a semi-term basis. Questionnaire is designed to rate service from a selected perspectives and rate from 1 to 5 (5 being the most satisfied).	Avg. 4.8 out of 5 satisfaction survey rating	Promotional Incentive
	Increase Students Retention	Students renewal rate	Percentage of the number of students enrol to the next term of study with TSLSE. Student renewal rate reflects the performance of the teaching staff and the quality of the service offered. It promises a sustainable development.	30% student renewal rate	Monetary incentive and promotional incentive
	Increase Brand Awareness	Marketing expense as per revenue	Increase investment in marketing is necessary for TSLSE and advertising methods need to be diverse. This objective is notably significant for exiting business and the launch of Piggy Rolla.	12% marketing expense as per revenue	Set up marketing department
	Increase Customer profitability	Customer Lifetime Value (CLV)	Customer profitability measures total revenues and total costs for customers during the period of time being measured (Davis, 2012). Some customers have sent their children to TSLSE from Grade 1 to Grade 9 and contribute to income as well as a source of <i>word of mouth</i> marketing. It is important to identify and develop such customers.	Avg. RMB48,000 per customer	Loyal customer discounts

Internal Business Process Perspective					
	Objective	Measures (KPIs)	Description	Target	Initiative
What must TSLSE excel at?	Set up Marketing Team	Number of full-time marketing personnel	Currently there is no marketing department within the company, rotation mechanism made it possible for all employees to get involved in marketing engagement. However, the company needs a team with professional knowledge and experience – know-how, to plan the marketing strategy and exploit the current market and thrive in the new era of education in China. To ensure a successful and smooth launch of Piggy Rolla courses, it is crucial to set up a marketing team.	Recruit 2 full-time marketing specialist	
	Development of IT System	Number of available learning content online	Online learning is a raising market; big data and artificial intelligence are shaping the future of education industry. The competence to capture this trend can help TSLSE enter the next stage of its business life cycle. Instead of developing a learning platform for online course, contents available online to complement on campus learning for enrolled students is the main aim for the time being.	With limited resources, this objective will not be prioritised for 2020, therefore no target defined.	Piggy Rolla Mobile APP
	Enhance Innovation Capability	Percentage of sales from new service/ course	TSLSE is dedicated to exploring innovative teaching methods, which will suit the new trends in education industry – parents are in pursuit of high-quality education and they highly appreciate innovative and creative teaching method.	15% sales are from Piggy Rolla Courses	

Learning and Growth Perspective					
	Objective	Measures (KPIs)	Description	Target	Initiative
Can TSLSE continues to improve and create value?	Improve Personnel's Management Knowledge	Training per employee on management training	Improve employees' management knowledge, since the majority of the employees' at TSLSE hold a degree in English language or in Education, can improve the effectiveness of job rotation system. It will also enhance operational efficiency and prepare for a digital transformation for the future	20 hours training per employee on a semi-annual basis	
	Increase Employee's Satisfaction	Employee Satisfaction Survey	How to retain talents is common in private education companies. It is essential to make current employees satisfied with their job and working environment, to improve their motivation. It is also beneficial to build up a good reputation of the company to attract talents.	Avg. 4.6 out of 5	
	Improve Employees' quality	Percentage of Investment as to revenue in training	This objective is more specific to improve the teaching quality.	3.5% investment as to revenue in training	Each year TSLSE invests RMB200 to RMB 250 Thousand in employees' training
	Improve alignment and empowerment	% of employees to achieve personal goals	Align personal goals to TSLSE's long-term goal to further increase employees' motivation and satisfaction.	75% employees	

7. Conclusion and Limitation

7.1 Conclusion

The BSC as performance measurement system and strategic management system is a relatively new subject in China, therefore, little research has been done on the implementation of the BSC in Chinese companies. This WP examined Chinese education industry and proposed a BSC for a Chinese small-sized enterprise in order to shed lights of Chinese education industry to Western academy and promote the awareness of the BSC.

TSLSE can be a good example of thousands of other Chinese small to medium-sized enterprises. After the field study, BSC can be beneficial in systemising performance measurement and set a clear strategic goal for future development. Rooted in Anglo-American culture, cultural barriers may exist when implementing the BSC in Chinese enterprises, however, it is still a universal management instrument. Chinese enterprise can adopt this tool into their business operation.

7.2 Limitation

Length and depth of the field study were limited as to fully understand a business operation will require much more effort and time.

Not enough comparable cases are another limitation. Literatures on BSC in education companies are rarely seen, let alone the education entities in Chinese business context. There is no benchmark to compare and verify the rationality and feasibility of some of the objectives proposed in this WP.

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